

**COUNCIL POLICY****CURRENT**

SUBJECT: CONSTRUCTION CONTRACT BONDS  
POLICY NO.: 800-08  
EFFECTIVE DATE: May 8, 1978

**BACKGROUND:**

In administering City contracts, three types of bonds have been required. Section 94 of the Charter requires that each bidder furnish with his bid such security as shall be specified by Council and, when a contract exceeds \$25,000, that the contractor furnish a faithful performance bond in the amount specified by Council. The Charter further requires that all contracts require a retention of payments sufficient to ensure protection of the City against labor or materials liens. While not required by the Charter, a payment bond for the full contract amount has been utilized to ensure this requirement as well as retaining between 5% and 10% of the earned contract payment.

**PURPOSE:**

To establish a uniform policy for bond or security deposits for City contracts to protect the interest of the City and to enhance the ability of small businesses to compete for City contracts.

**POLICY:**

It is the policy of The City of San Diego to adhere to the following bonding requirements for City contracts:

**A. Contracts Under \$25,000**

1. Requirements for bid security, payment bond and performance bond may be waived.
2. Where recommended by the City Manager normal interim or progress payments may be made on a weekly basis. Payment terms to be otherwise in accordance with the latest edition of the Standard Specifications for Public Works Construction, on file in the City Clerk's Office.

**B. Contracts Over \$25,000**

1. Require bid security, in approved form, in the amount of ten percent (10%) to accompany the bid when submitted.
2. Require a Faithful Performance Bond in the amount of 100% of the contract price.
3. Require a Payment Bond in the amount of 50% of the contract price. All bonds to be supplied in the manner and form prescribed by the latest edition of the Standard Specifications for Public Works Construction on file in the City Clerk's Office.
4. Where recommended by the City Manager for contracts not exceeding \$50,000, normal interim or progress payments may be made on a weekly basis. Payment terms to be otherwise in accordance with the latest edition of the Standard Specifications for Public Works Construction, on file in the City Clerk's Office.

CITY OF SAN DIEGO, CALIFORNIA  
**COUNCIL POLICY**

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HISTORY:

Adopted by Resolution R-215896 05/05/1976

Amended by Resolution R-220828 05/08/1978